

Labor Income

In the Postwar Period

COMPENSATION of employees in the first quarter of 1952 was at an annual rate of \$186 billion, \$3½ billion higher than in the previous quarter. This rise continued the unbroken advance begun in early 1950 and brought compensation of employees 25 percent above the total just prior to the Korean outbreak.

The major growth in employees' compensation after mid-1950 took place in the first year following the aggression, as the economy quickly took up the remaining slack in the labor force and production expanded sharply under the direct and indirect influences of the national defense program. Since the second quarter of 1951, when the economy entered a period of relative stability in over-all production and prices, the increase has slowed appreciably. Thus, by the second quarter of 1951 employees' income had risen by \$29 billion, at annual rates, from the total of a year earlier, but the rise since then has been \$8 billion. Of this latter amount, \$3.5 billion is accounted for by the further advance of government (including military) payrolls.

Compensation of employees is the largest component of the national income, forming about two-thirds of the total in the postwar years. It measures the income accruing to persons in an employee status as wages and salaries and supplementary labor income for their participation in current production. Viewed from the employers' standpoint, it is the direct cost of employing labor.

Post-Korean Developments

The impact of the mobilization program and other related factors in the period subsequent to the Korean invasion has had a markedly uneven effect on the industrial composition of wages and salaries. The largest expansions have occurred in government and in the commodity producing industries.

Defense needs expand government payrolls

Government payrolls have advanced steadily since mid-1950 as a result of the continuous expansion of the Armed Forces and of civilian personnel in defense activities. From the second quarter of 1950 to the first quarter of this year, government payrolls rose from \$21 billion to \$32 billion, at annual rates, or about 50 percent. More than one-half of the \$11 billion increase occurred in military payrolls, and reflected primarily the sizable build-up in strength. Federal civilian activities accounted for about three-fifths of the remaining payroll expansion, under the impetus of both augmented personnel and a pay raise effective in the latter half of 1951. Increased State and local government payrolls stemmed largely from upward wage-rate adjustments.

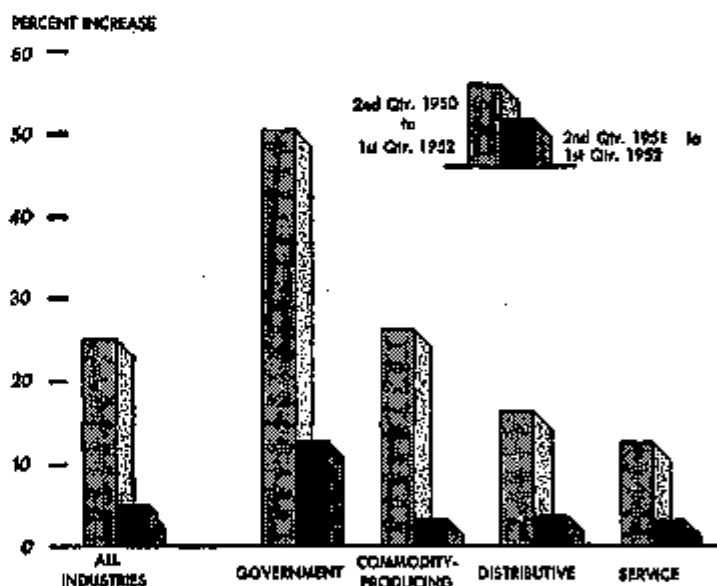
Commodity producing payrolls up sharply

The private industry payroll rise since the onset of the Korean conflict—\$24½ billion at an annual rate—has been largely concentrated in the commodity producing area, which initially was the chief beneficiary of the heightened

demand from consumers, business, and government. Payrolls in these industries, which comprise manufacturing, construction, mining, and agriculture, have risen 26 percent since the second quarter of 1950, compared with the 15 percent rise in all other private industries combined. As in the case of total employees' compensation, virtually all of the payroll rise in the commodity producing sector had occurred by the second quarter of 1951, with the growth since then of only minor proportions.

PAYROLL INCREASES

since mid-1950 have been largest relatively in Government and in commodity-producing industries



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52-61

In this sector, the post-Korean increase in wages and salaries through the second quarter of 1951 was especially pronounced in the durable-goods manufacturing and contract construction industries. In these industries, employment, wage rates, and hours worked all showed significant increases. Since mid-1951, declines have occurred in total wage payments in some consumer durable-goods industries, but in contract construction and those manufacturing industries closely related to defense production wages in the first quarter of 1952 exceeded second quarter 1951 totals.

For nondurable-goods manufacturing as a whole, the wage advance from the second quarter of 1950 to the first quarter of 1952 amounted to 17 percent—only half as large as in durable-goods manufacturing and in construction. In most types of nondurable-goods manufactures, wages in the first quarter of this year were below the high points reached early in 1951.

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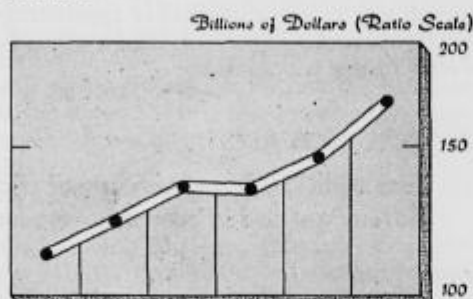
Other private industry changes

Wages and salaries in the other sectors of the private economy have advanced since the middle of 1950 in much the same pattern as in the government and commodity producing areas, but the increases have been markedly smaller. In the distributive sector—comprising industries within trade, transportation, and communications and public utilities—they have clustered about 15 percent, while in the service and finance group the increase averaged 12 percent.

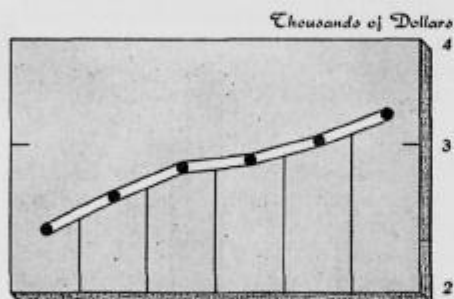
COMPENSATION OF EMPLOYEES

rose from \$117 billion in 1946 to
\$178 billion in 1951

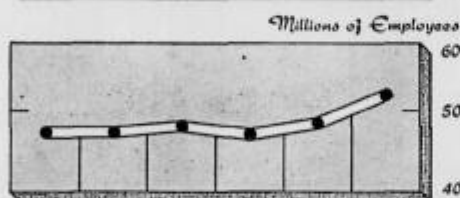
as wages and
salaries increased
52 percent



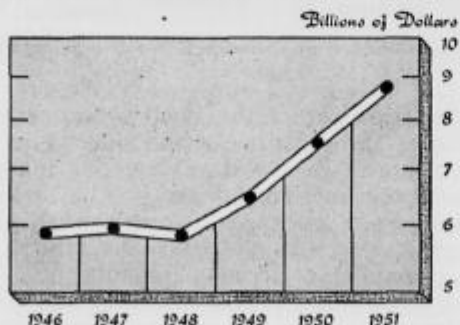
due to average annual
earnings rising 37
percent



and the number of
full-time equivalent
employees expanding
by 11 percent



while supplementary
wage benefits kept
pace with the rise
in payrolls



Higher hourly earnings spur rise

Initially, the large gains in private industry payrolls stemmed from the combined effects of increased employment, higher hourly earnings, and a longer average workweek. Hourly earnings were the most important factor, as they had been in the earlier postwar period. Employment was a

lesser, though considerable, element in the payroll growth, whereas the slightly lengthened workweek was of minor significance. However, with both employment and hours receding slightly from their mid-1951 levels, the total payroll advance since that time has stemmed from a further, though slackened, upward movement of average hourly earnings.

Summary Postwar Changes

It is useful to view these recent changes in employee compensation against the background of developments over the post-World War II period. Along with other national income and product series for the years 1929-50 and descriptions of concepts and sources and methods, estimates of the compensation of employees have been presented in the volume *National Income—1951 Edition*, a supplement to the *SURVEY OF CURRENT BUSINESS*. Much of the discussion which follows is based on the detailed industry data on employee compensation published in that report.

Compensation of employees covers the earnings of all persons in an employee status, and is therefore heterogeneous in character. It encompasses a wide range of incomes, with the earnings of corporate officials and the wages of domestic servants both represented in its totals. The data on employee compensation available from national income statistics are presently limited to an industrial distribution, although for some purposes alternative distributions, such as by occupation of recipient or by size of income, would be desirable.

Employees' share of national income stable

Despite its sizable increase—from \$117 billion to \$178 billion—compensation of employees represented a virtually stable proportion of national income from 1946 to 1951. Except for 1948, when it dipped lower, in every postwar year it amounted to almost 65 percent of the national income total. This percentage, moreover, corresponds closely to the average proportion of national income constituted by employee income in years just preceding the war. Similar generalizations are applicable to the private sector of the economy, where compensation of employees accounted for three-fifths of private national income both in the postwar and immediate prewar years.

Wages and salaries averaged about 95 percent of employee compensation in the years 1946-51, with the remainder consisting chiefly of employer contributions under government social insurance and private pension plans.

As defined for national income purposes, wages and salaries include not only cash payments commonly classified in this category, but also tips, bonuses, commissions, and the value of income in kind furnished employees.

Wages and Salaries in Private Industry

After the initial dislocations following the war's end, private-industry wages and salaries moved up rapidly. From an annual rate of \$82 billion in the first quarter of 1946, they rose quarter by quarter to a rate of \$118 billion at the end of 1948, as employment and production expanded to meet the heavy demand from consumer, business, and foreign sources.

In the mild recession of 1949, private payrolls were reduced slightly, but with the business upturn in early 1950 they recovered and in the second quarter of that year exceeded the high year-end 1948 totals. Following the invasion in Korea, payrolls and employment, under the stimulus of accelerated demand from every sector of the economy, spurted sharply into the first half of 1951, reaching a rate of \$141 billion in the second quarter. Since then, the payroll

total for private industry has been quite stable, as the expansionary effects of the rearmament program have been largely offset by curtailed consumer and business purchasing. For private industry as a whole, wages and salaries in 1951 amounted to \$140 billion, 55 percent more than the \$91 billion aggregate of 1946.

Hourly earning main factor

As table 1 indicates, advances in hourly earnings have been the most important factor in the postwar growth of private industry payrolls, with the increase in man-hours stemming from higher employment partially offset by reduced hours of work. The steady rise in hourly earnings—which encompasses the effects of wage-rate changes, shifts in the industrial composition of employment, upgrading, and other related factors—amounted to 45 percent from 1946 to 1951, and accounted by far for the major part of the total payroll change.

Among the factors contributing to the expansion of hourly earnings in the postwar period have been a relatively tight labor supply and employee pressure to maintain real earnings in a period of rising prices. Except for 1949, the economy has absorbed the growth of the labor force, and the number of unemployed—averaging 4 percent of the civilian labor force, close to the minimum in a fluid economy—has represented no great problem on a national scale.

Patterns set in organized industries

Wage rate patterns in the postwar period have been dominated by a series of settlements (the so-called "rounds") which were negotiated in the large mass-production industries and gradually extended throughout the economy. The first of these settlements occurred early in 1946 and was occasioned by the effort to buttress earnings against the sharp curtailment in hours of work, particularly in manufacturing, after the end of the war.

The pressure for further increases resulted from the sharp price advances following the lifting of price controls in the

summer of 1946. In most cases, the second round increases—negotiated between mid-1946 and mid-1947—were of lesser proportions than the first.

A period of relative wage-rate stability then ensued, as the price rise slowed at the close of 1947 and came to a halt in early 1948. However, this spell was short lived. As prices renewed their ascent, negotiations took place which by mid-1948 led to the wage increases of round three for a large number of industries. These increases, in general, were smaller than the two preceding. The mild recession of 1949, with the accompanying decline in commodity prices, took the pressure off rising money wages, and in the new union-management contracts negotiated the main issues centered on the supplementary benefits of insurance and pensions.

Table 1.—Components of Changes from 1946 to 1951 in Private Industry Wages and Salaries¹

	(Billions of dollars)					
	1946-47	1947-48	1948-49	1949-50	1950-51	1946-51
Change in private-industry wages and salaries	14.2	10.9	-2.6	10.5	10.8	43.8
Amount of change attributable to:						
Hourly earnings and related factors	10.4	10.9	4.7	6.0	9.6	42.6
Employment	4.0	2.3	-4.9	4.2	6.2	12.6
Hours worked	-1.5	-1.7	-2.4	-0.8	.8	-6.3

¹ Detail will not necessarily add to total because of rounding.

Sources: U. S. Department of Commerce, Office of Business Economics

As business conditions improved in early 1950 some wage contracts were negotiated, but it remained for the impact of Korea, with the spurt in demand and prices and the anticipation of wage controls, to hasten the spread of wage increases. Particularly noteworthy in this later period was the increasing acceptance, both by labor and management, of the practice of tying wage rates to the consumers' price index. With the enactment of wage-price controls in early 1951, this general principle was recognized by the Wage Stabilization

Table 2.—Wages and Salaries, Number of Full-Time Equivalent Employees, and Average Annual Earnings per Full-Time Employee, by Industry Divisions, 1946-51¹

	Wages and salaries (millions of dollars)						Number of full-time equivalent employees (thousands)						Average annual earnings per full-time employee (dollars)					
	1946	1947	1948	1949	1950	1951	1946	1947	1948	1949	1950	1951	1946	1947	1948	1949	1950	1951
All industries, total	111,227	122,659	134,367	138,492	145,844	160,446	40,042	46,977	47,836	40,803	48,230	52,066	2,808	2,606	2,800	2,846	3,024	3,262
Agriculture, forestry, and fishing	2,708	3,102	3,354	3,528	3,100	3,345	2,289	2,354	2,446	2,390	2,227	2,100	1,223	1,311	1,376	1,340	1,305	1,521
Mining	2,358	2,730	3,040	2,831	3,158	3,613	871	938	985	915	924	2,719	2,113	2,357	2,303	2,438	2,803	3,803
Contract construction	4,412	5,225	7,003	6,887	7,800	9,837	1,728	2,000	2,374	2,123	2,312	2,600	2,537	2,828	3,110	3,235	3,355	3,028
Manufacturing	36,476	42,500	48,455	48,822	49,580	57,046	14,463	16,216	15,285	14,173	14,051	16,064	2,517	2,703	3,030	2,983	3,303	3,001
Durable goods industries	18,065	21,907	24,757	22,664	24,777	32,733	7,306	7,707	7,770	6,973	7,524	8,408	2,629	2,800	3,183	3,260	3,492	3,667
Non-durable goods industries	17,541	19,893	21,068	21,169	25,100	26,236	7,297	7,418	7,506	7,100	7,427	7,500	2,407	2,682	2,801	2,940	3,111	3,321
Wholesale and retail trade	19,620	22,618	25,818	26,618	27,443	30,030	8,127	8,574	8,832	8,725	8,604	9,162	2,403	2,601	2,907	2,836	3,062	3,278
Finance, insurance, and real estate	3,025	4,282	4,760	5,003	5,439	6,064	1,811	1,853	1,900	1,823	1,630	1,776	2,668	2,704	2,968	3,093	3,279	3,430
Transportation	8,478	9,545	9,084	8,285	9,700	10,140	3,678	3,874	3,808	2,610	2,610	2,760	2,948	3,147	3,442	3,637	3,084	3,077
Communications and public utilities	2,824	3,266	3,808	4,065	4,312	4,153	1,100	1,177	1,210	1,281	1,250	1,306	2,507	2,702	3,002	3,151	3,310	3,573
Services	9,707	11,014	11,807	12,265	13,125	14,106	5,222	5,503	5,021	4,046	4,930	6,161	1,870	2,002	2,141	2,166	2,214	2,327
Government and government enterprises ²	20,080	17,266	16,090	20,365	22,251	26,165	8,734	6,717	6,712	7,073	7,306	8,146	2,364	2,550	2,786	2,862	3,046	3,176
Civilian	12,071	13,171	14,713	16,122	17,133	20,030	5,206	5,113	5,239	6,404	6,607	6,068	2,393	2,576	2,808	2,951	3,001	3,316
Federal	6,433	6,736	6,026	6,531	6,888	8,647	2,358	1,866	1,921	1,904	1,908	2,346	2,731	2,917	3,187	3,275	3,450	3,768
State and local	4,332	7,435	8,687	9,591	10,246	11,383	2,937	3,147	3,316	4,470	4,694	3,720	1,122	2,505	2,618	2,761	2,843	3,080
Military	7,962	4,098	3,070	4,243	6,101	9,040	3,428	1,600	1,466	1,604	1,704	2,192	2,310	2,544	2,784	2,946	3,994	2,827
Addendum: All private industries	90,677	104,533	116,060	113,047	123,083	140,360	38,228	40,900	41,121	39,400	40,030	42,921	2,400	2,093	2,512	2,863	3,070	3,276

¹ Individual industry detail for years 1920-50 is presented in Office of Business Economics report *National Income—1951 Edition*, a supplement to the *Survey of Current Business*.

² Total includes very small amounts for Rest of World industry, which covers United States

residents employed in the United States by foreign governments and international organizations.

Sources: U. S. Department of Commerce, Office of Business Economics.

Board, and wage rates in many industries drifted upward in 1951 to meet the increased cost of living.

Workweek gradually declines

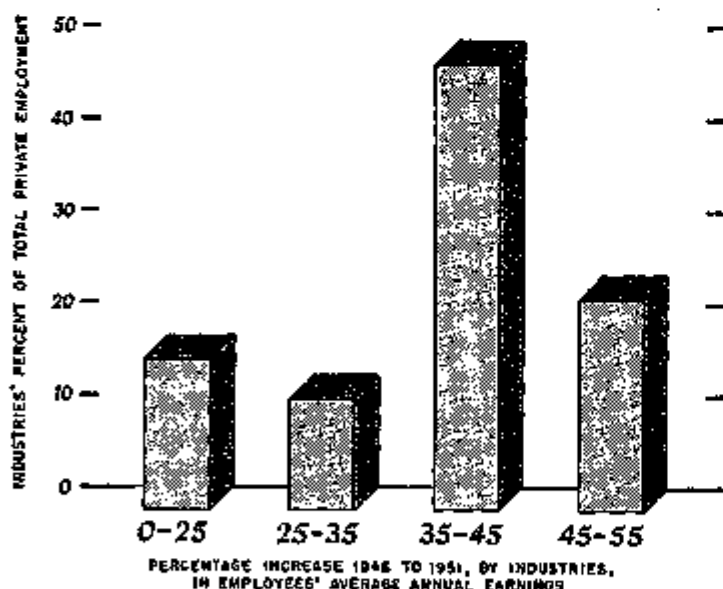
The workweek in private industry, which averaged 43 hours for all workers in 1946, gradually drifted lower in the postwar years. This decline, which was halted in 1951, brought the average workweek down to 41 hours last year—4½ percent below 1946 and about the same as in 1940. Except for railroads and coal mining, where the workweek has declined since 1946 by 11 percent and 15 percent, respectively, the hours reductions that have occurred have been moderate. In durable goods manufacturing, hours in 1951 averaged slightly higher than in 1946, as they had during most of the earlier postwar period.

Changes in average annual earnings

The average annual earnings data presented in table 2 summarize the combined effects of changes noted above in the length of the workweek and in average hourly earnings. These data, it may be noted, refer to the earnings of all full-time employees—the average wage-and-salary income per man year of full-time work—and are a useful measure for comparisons of inter-industry earnings levels and changes over time.

ANNUAL EARNINGS

in industries employing seven-tenths of all private workers increased more than 35 percent from 1946 to 1951



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52-67

Increases in employees' average earnings among the major industry groups from 1946 to 1951 were far from uniform, varying from 24 percent in agriculture, forestry, and fisheries to almost twice that in contract construction. The largest advances occurred in contract construction, durable goods manufacturing, and mining, while those in the distributive sector of the economy and in nondurable goods manufacturing were about average. The increases shown by the service, finance, and agricultural industry divisions, ranging from 24 percent to 32 percent, lagged considerably behind the 38 percent rise for the private industry sector as a whole.

Among the 64 individual private industries for which separate estimates are prepared, the rise in average annual earnings per full-time employee from 1946 to 1951 varied from 3 percent in the motion picture industry to 55 percent in automobile manufacturing. However, in industries employing one half of all private wage and salary workers, the increases fell between 35 percent and 45 percent. (See the accompanying chart.) In industries accounting for three-fourths of total private employment, the range was from 30 percent to 50 percent.

Changes in hourly earnings

Because the effects of changes in hours are reflected in the average annual earnings data, industry differentials in hourly earnings changes are obscured. For most industries this is not important, since the change in the length of the workweek was small. However, the substantial decline in hours worked in coal mining and in the railroads accounts for the fact that in the transportation and mining divisions as a whole, employees' average annual earnings experience was less favorable than that in average hourly earnings. Hourly earnings gains in these organized groups were the sharpest, while gains in manufacturing and contract construction approximated the 45 percent over-all private industry rise. The remaining industry divisions, generally those in which there is a lesser degree of unionization, showed considerably smaller advances.

Employment expands one-eighth

A lesser factor than hourly earnings in the growth of private industry payrolls—responsible for only about one-third as much of the increase since 1946—has been the rise in employment. From 1946 to 1951 average full-time equivalent employment in all private industries increased from 38.2 million to 42.9 million, or about one-eighth. Full-time equivalent employment measures man-years of full-time employment of wage and salary earners and its equivalent in work performed by part-time workers. Full-time employment is defined in terms of the number of hours which is customary at a particular time and place.

Unlike the advance in hourly earnings, the postwar expansion in employment was not accomplished in steady fashion. As table 2 indicates, it reflected sizable increases in the immediate postwar years, when virtually full employment was attained, a decline during 1949, and further advances after the Korean outbreak.

The termination of World War II resulted in an immediate and sharp curtailment of employment in the durable-goods manufacturing industries. The transitional employment problem which this and the rapid military demobilization created was solved in part by the voluntary withdrawal of a large part of the abnormally high wartime labor force. The more positive solution came, however, from prompt employment opportunities in contract construction, trade, and nondurable goods manufacturing—industries which had been restricted in wartime but which expanded swiftly under the buoyancy of postwar demand. By the start of 1947, almost all available manpower was already employed, and further growth was limited by the slow increase in the labor force. This expansionary phase of employment persisted through the latter half of 1948.

With the business downturn in 1949, private employment averaged 4 percent less than in the previous year, with about half of the drop occurring in the durable-goods manufacturing industries, which were particularly affected by the changing business policies in respect to inventories. This decline was made up in the latter half of 1950. From July to December 1950, private employment rose by 1,250,000, one of the

largest increases on record for a six-month period, and then advanced further in the first half of 1951. In the latter half of the year, private employment stabilized at a level about 5 percent above that of 1950.

Employment pattern differs from prewar

The expansion in employment over the last decade has been accompanied by significant shifts in the industrial composition of workers. Compared with the year 1940, larger proportions of private postwar workers have been engaged in manufacturing, contract construction, trade, communications, and public utilities, while proportionately fewer workers have been employed in agriculture, mining, finance, and the service industries. (See table 3.) Some of these changes are in keeping with longer term trends—such as the declines in agriculture and mining and the increases in manufacturing and trade.

It is significant that, as compared to prewar, the postwar distribution of private employment is somewhat more concentrated in the higher paying industries. In 1946, the prewar distribution of employment would have yielded a payroll about 3½ percent lower than that which actually obtained. Private employment continued to move in the direction of higher paying industries in the postwar years, although this factor has been relatively unimportant in the overall payroll growth. From 1946 to 1951 the employment shift was responsible for about 1½ percent of the \$50 billion payroll increase in private industry as a whole.

Table 3.—Percent Distribution of Private Industry Full-Time Equivalent Employment, by Industry Division, 1929, 1940, 1946-51

	1929	1940	1946	1947	1948	1949	1950	1951
Private industries, total.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Agriculture, forestry, and fisheries.....	5.60	3.41	5.00	5.68	5.93	6.05	5.50	5.12
Mining.....	3.60	2.02	2.38	2.33	3.40	2.32	2.25	2.16
Contract construction.....	4.62	4.08	4.55	5.12	5.53	5.36	5.72	6.07
Manufacturing.....	32.40	34.32	37.91	37.70	37.17	36.30	36.53	37.60
Durable goods industries.....	16.43	15.84	18.33	18.37	18.02	17.40	18.36	19.50
Nondurable goods industries.....	17.00	18.48	19.06	19.43	19.25	18.23	18.15	17.70
Wholesale and retail trade, finance, insurance, and real estate.....	18.18	22.43	21.28	21.30	21.48	22.60	21.75	21.35
Transportation.....	4.17	4.21	3.05	3.80	3.01	4.11	4.13	4.12
Communications and public utilities.....	8.05	0.53	7.82	7.14	6.83	0.61	0.47	0.43
Services.....	3.21	2.63	2.88	2.02	3.00	3.33	3.10	3.04
	16.05	16.20	13.00	13.67	13.67	14.29	14.40	14.21

Sources: U. S. Department of Commerce, Office of Business Economics.

The following discussion of postwar shifts in the industrial distribution of private wages and salaries will be limited to the changes since 1947. By that time most of the wartime control measures had been swept away, production reorganized for civilian demand, and the Nation's resources fully employed.

Construction rise largest

Among the major industries, the largest relative payroll gain was scored in contract construction, where wages and salaries expanded from \$5.8 billion in 1947 to \$9.6 billion in 1951. This 65 percent rise increased the proportion of the private industry total originating in contract construction from 5.6 percent to 6.9 percent. (See table 4.) Spurred by the heavy demand for housing and the large business outlays for new plants, the contract construction industry has increased its share of the private-industry payroll total in almost every year since the close of the war. Larger than

Table 4.—Percent Distribution of Private Industry Wages and Salaries, by Industry Divisions, 1929, 1940, 1946-51

	1929	1940	1946	1947	1948	1949	1950	1951
Private industries, total.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Agriculture, forestry, and fisheries.....	3.13	3.00	3.00	2.90	2.90	2.85	2.52	2.38
Mining.....	3.35	3.12	2.01	2.70	2.80	2.50	2.50	2.50
Contract construction.....	5.40	4.10	4.87	5.80	6.13	6.00	6.36	6.87
Manufacturing.....	35.60	37.60	40.27	40.35	40.17	38.77	39.06	41.20
Durable goods industries.....	17.00	18.33	20.00	21.67	21.41	20.06	21.30	23.32
Nondurable goods industries.....	17.70	18.37	19.37	18.68	18.70	18.72	18.70	17.97
Wholesale and retail trade, finance, insurance, and real estate.....	20.64	21.91	21.56	21.77	21.69	22.60	22.23	21.40
Transportation.....	4.10	5.74	4.32	4.70	4.11	4.43	4.48	4.31
Communications and public utilities.....	10.44	8.81	0.36	8.03	8.36	8.21	7.00	7.80
Services.....	3.30	3.75	3.12	3.14	2.29	3.57	3.41	3.33
	13.88	11.00	10.78	10.51	10.26	10.32	10.62	10.11

Sources: U. S. Department of Commerce, Office of Business Economics.

average gains in both employment and average earnings have both been responsible for the growth in payrolls since 1947 with the latter factor the more important.

Manufacturing payroll gain small

The share of private payrolls accounted for by the manufacturing industries has varied considerably in the postwar period. From 1947 to 1950 the proportion of payroll constituted by manufacturing declined, both in the durable and nondurable goods groups. This decline—from 40.6 percent in 1947 to 40.0 percent in 1950—stemmed solely from reduced employment, as the average annual earnings experience of factory employees was better than average.

Post-Korean developments, particularly those relating to the rearmament program, resulted in a rise in the proportion of payroll constituted by manufacturing to 41.3 percent in 1951 as both employment and average earnings in the durable goods sector rose more than average. The payroll share of the nondurable goods industries declined from 1950 to 1951 under the adverse effects of lagging consumer spending, and constituted a smaller proportion of the private aggregate than in 1947.

Communications and public utilities expand

Although the share of total private payrolls accounted for by the communications and public utilities division is somewhat smaller than before the war, it increased moderately over the postwar period, from 3.1 percent in 1947 to 3.3 percent in 1951. This increase centered in the electric and gas utilities industry, and stemmed from slightly larger than average increases in both employment and average annual earnings.

Trade share higher in most years

Payrolls in retail and wholesale trade constituted a slightly smaller proportion of the private total in 1951 than in 1947. Until 1951, however, the proportion of payroll originating in trade in the postwar years had expanded slightly, as employment increased to handle the larger volume of consumer purchases and annual earnings kept pace with the all-industry movement. Last year, with consumer spending lagging, both employment and employee average earnings in trade increased at a slower pace than for all private industries generally, and payrolls fell back to about the 1947 proportion.

Transportation decline related to war

The share of private industry payrolls originating in the transportation industry declined steadily in the postwar

years, from 8.6 percent in 1947 to 7.8 percent in 1951. This decrease is almost all attributable to below average payroll advances in the railroads and in water transportation. In both cases, actual employment declines have been responsible for the payroll lag, and are traceable to the special circumstances affecting each industry during wartime.

Railroad employment in wartime was stimulated not only by the large traffic and passenger requirements, but by the restrictions imposed upon competing forms of operation and by the sharp curtailment of private automobile use. With the reestablishment of more normal relationships as the postwar period lengthened, payrolls originating in the railroads declined from 4.7 percent to 4.1 percent from 1947 to 1951. Water transportation payrolls have gradually diminished to but two-thirds the total constituted in 1940 because of declining deep-sea operations as world trade resumed more customary channels and other nations rebuilt and expanded their merchant fleets.

For the transportation industry as a whole, the postwar movement of annual earnings has approximated that of all private industries.

Employees' earnings in services lag

The payroll experience of the service industry has been generally similar to that of trade. The services constituted an increased proportion of the private payroll total in several postwar years, chiefly because of greater than average employment gains, but last year sustained a relative payroll decline as employment and employees' earnings rose at a less than average rate. The proportion of private employees in the services was larger in 1951 than in 1947, chiefly in private households (domestic servants) and medical and other health services. However, because this area includes a number of the industries in which the average earnings advance has been smallest the relative payroll growth has been retarded.

Shares of agriculture and mining reduced

The proportion of payrolls originating in both mining and agriculture has declined since 1947. In each industry the decline is mainly attributable to the unusual circumstance of an absolute decrease in employment, but it reflects also a smaller than average rise in annual earnings.

For both industries, the payroll and employment changes are in line with longer term trends. In mining, the entire relative decline has centered in coal mining, where manpower requirements have been reduced by the growing inroads of competitive fuels for both industrial and household uses. Heavily weighted by developments in coal, the postwar increase in average hourly wages in mining was one of the largest of any industrial division, but because of the sharp reduction in hours worked, from 41 in 1947 to 38.5 in 1951, the rise in average annual earnings in mining was fractionally below the one shown by private industry as a whole.

Government Wages and Salaries

From 1946 to 1951, government wages and salaries—Federal (including military), State, and local combined—expanded from \$20.6 billion to \$29.1 billion. However, this rise was largely a product of post-Korean developments, since in the second quarter of 1950 government wages and salaries were, at an annual rate, very little different from the 1946 total.

Table 2 presents a breakdown of total government wages and salaries into broad component parts. Civilian wages

and salaries, it may be seen, have increased steadily in the postwar period, reflecting the movement of State and local government payrolls.

Sharp rise in State and local payrolls

The total payroll of State and local governments has shown a steadily rising trend in the postwar period, advancing from \$6.2 billion in 1946 to \$11.2 billion in 1951. Increases in the school and nonschool segments were of approximately equal magnitude.

The large advance in State and local government payrolls is accounted for in part by increased employment necessitated by the large increase in school enrollment and the reinstatement of many public services which had been severely curtailed during the war. From 1946 to 1951, school employment rose 20 percent, and nonschool employment 25 percent.

Prior to the war, the average annual earnings of State and local government employees exceeded the average for all employees. However, during the war State and local employee earnings lagged considerably behind the over-all average—rising only three-fifths as much—and by the close of the war had fallen below it. Faced with a tight labor supply and the growing need for increased services, State and local government units raised wages sharply, both to attract and retain personnel. As a result, average annual earnings of all State and local employees expanded by 46 percent from 1946 to 1951—from \$2,122 to \$3,089—with the largest relative increases received by teaching staffs. Despite this sizable gain, the average earnings of State and local government employees in 1951 were still below the \$3,253 average for all-industry employees.

Rearmament raises Federal payrolls

Federal Government payrolls (including military) fell below the 1946 total in the years 1947–50 but rose above it in 1951 under the impetus of the mobilization effort following the Korean invasion. The 1951 Federal payroll of \$17.9 billion was 25 percent above 1946 and 50 percent above 1950.

Federal civilian payrolls declined in the two years following the war with the discharge of large numbers of temporary war service personnel in Government shipyards and arsenals and in the war agencies. The postwar low in Federal civilian employment was reached in 1948, by which time the number of employees had been reduced by 35 percent from the wartime totals. Despite the decline in employment from 1947 to 1948, Federal civilian payrolls rose in the latter year because of the granting of cost-of-living pay increases.

A sizable expansion in Federal employment during 1951 resulted from the national defense and economic control programs, and lifted employment to the 1946 level. Average monthly employment increased by 18 percent in 1951 over 1950, and payrolls expanded at an even larger rate—28 percent, from \$6.9 billion to \$8.8 billion—because of some lengthening of the workweek and a pay increase covering the latter half of the year.

Since average employment in 1951 was about the same as in 1946, practically all of the payroll difference may be ascribed to higher average earnings. Federal civilian employees have been given four general salary increases in the postwar period. These adjustments, together with merit increases and some upgrading in the composition of employment, have resulted in an advance in average annual earnings from \$2,731 in 1946 to \$3,768 in 1951. This increase of 38 percent was the same as that experienced by private industry employees in the aggregate. Despite this postwar showing, the average annual earnings of Federal civilian employees have risen by far less than those of private industry workers since 1940.

Like other Federal employment, military strength continued to decline after the war until 1948, and then rose moderately through 1950. The large expansion in 1951 almost doubled the size of the armed forces. As in the case of civilian employment, military strength last year averaged almost as high as in 1946. Because of two rate advances in the postwar period, military payrolls of \$9.1 billion in 1951 exceeded the 1946 total of \$8.0 billion by almost 15 percent. The military segment was slightly more than one-half of all Federal Government payrolls last year.

Earnings increase exceeds price rise

The 38-percent rise in average annual earnings of all full-time civilian employees—in government and in private industry—from 1946 to 1951 was somewhat in excess of the 33 percent rise in the consumers' price index over the same interval. In view of the 4-percent reduction in hours of work in this period, this would indicate a rise of about 8 percent in the purchasing power of the average civilian worker's hourly earnings. However, in many industries, employing one-fifth of all civilian wage and salary workers, the rise in employees' average annual earnings since 1946 has been less than 33 percent. In these industries workers' real wages, on the average, have suffered.

Supplements to Wages and Salaries

Supplements to wages and salaries in 1951, totaling \$8.7 billion, were half again as large as in 1946, with all of this growth occurring since 1948.

Supplements consist of the monetary compensation of employees not commonly regarded as wages and salaries. Its components, shown in table 5 for the years 1946-1951, consist of employer contributions for social insurance (including Government life insurance for members of the Armed Forces) and to private pension and welfare funds, compensation for injuries, directors' fees, pay of military reservists, and a few other minor items of labor income.

Strong growth in private supplements

Unlike wages and salaries, which turned down in 1949, private industry supplements have shown an unbroken rise in the postwar period, from \$3.9 billion in 1946 to \$7.4 billion in 1951. As a result, they increased from 4.3 percent to 5.3 percent of private industry payroll. Essentially, two components were responsible for the rising proportion of supplementary benefits: contributions for old age and survivors insurance and employer contributions to private pension and welfare plans. State unemployment insurance contributions rose at about the same rate as private payrolls generally, and the change in the railroads' contributions for retirement and unemployment insurance matched that industry's payroll growth.

After having been postponed for some time by congressional action, the contribution of employers (and employees) under the old age and survivors insurance program was raised from 1 to 1½ percent of taxable wages, effective January 1, 1950. This factor, together with the large rise in covered payrolls and the amendments to the Social Security Act which last year expanded employee coverage and raised the taxable wage base from \$3,000 to \$3,600, served to increase employer contributions from \$0.7 billion in 1946 to \$1.7 billion in 1951.

Private pension and welfare plans have gained prominence in the postwar period as they have come to be the subject of union-management bargaining in wage contract negotiations. Contributions in this category relate to the following programs: pensions, health and welfare programs, and group insurance.

Private pension plans burgeoned during wartime when the wage stabilization program limited the wage increases employers could grant but permitted them to make reasonable contributions to employee insurance and pension programs. As a result, employer contributions to private pension and welfare plans, which had amounted to \$200 million in 1941, sprang to \$900 million in 1945.

Postwar trends reflect union activity

Contributions to these plans continued to increase in the postwar period both as a result of the upturn in payrolls—

Table 5.—Supplements to Wages and Salaries, 1946-51

	(Millions of dollars)						
	1946	1947	1948	1949	1950	1951	Percent change, 1946-51
All industries, total.....	3,871	5,326	5,800	5,465	7,480	8,728	+49
Private industries, total.....	3,267	4,439	4,883	5,021	6,280	7,306	+40
Employer contributions for:							
Private pensions and welfare funds.....	1,241	1,435	1,504	1,001	2,417	2,758	+120
Old age and survivors insurance.....	667	780	820	818	1,351	1,730	+157
State unemployment and cash sickness insurance.....	1,077	1,241	1,113	1,235	1,477	1,730	+60
Railroad retirement and unemployment insurance.....	302	414	308	310	304	355	+18
Other supplements ¹	550	619	678	709	738	761	+38
Government, total.....	2,014	1,290	928	1,434	1,200	1,422	-32
Employer contributions for:							
Government life insurance.....	1,418	600	93	460	80	143	-90
Federal civilian employees retirement.....	241	241	344	273	313	250	+33
State and local employees retirement.....	255	280	300	420	490	540	+116
Other supplements ²	110	169	224	282	317	300	+227

¹ Consist of compensation for injuries and directors' fees.

² Consist of pay of military reservists, compensation for injuries, compensation of prison inmates, jury and witness fees, Government payments to enemy prisoners of war, marriage fees to justices of the peace, and (in 1951) contributions for old age and survivors insurance.

Source: U. S. Department of Commerce, Office of Business Economics.

which in some cases determine the amount of contributions—and increasing labor pressure for new and expanded coverage. Particularly noteworthy in respect to union-management contracts was the establishment of a jointly managed health and welfare fund in the coal mining industry in 1946 and of employer financed retirement plans (generally tying benefits to the social security program) in many important manufacturing areas beginning with the latter half of 1949.

In total, employer contributions under private pension and health and welfare plans expanded from \$1.2 billion in 1946 to an estimated \$2.7 billion in 1951, and during the postwar period were almost twice as large as employer contributions under the old age and survivors insurance system. However, current costs of private pension plans are inflated as a measure of the recurrent annual cost of the plans now in operation because of large contributions to cover the past service liability of older workers.

Industrial differentials in supplements

Table 6 presents data for private industries on the relation between supplementary wage benefits and wages and salaries in each of the postwar years.

The variations among the industry divisions are quite considerable, with supplements as a percent of total payroll ranging from almost twice the 1951 private industry average of 5½ percent in communications and public utilities to less

(Continued on p. 24)

Review of National Income and Product in the First Quarter of 1952

(Continued from p. 8)

terial industries dampened the effect of the payroll advances in the defense-supporting industries in the durables group total; however, the latter increases were in any case less than in the prior quarter.

Farm income off

Proprietors' and rental income, at an annual rate of \$48½ billion, was down \$1 billion from the fourth quarter of last year. This decline reflected a drop in farm income, partly offset by an advance in nonfarm entrepreneurial incomes.

Farm income, which is subject to irregular movements on a quarterly basis, dropped from a seasonally adjusted annual rate of \$17½ billion in the final quarter of 1951 to \$16 billion in the opening quarter of this year—down somewhat from the first-quarter 1951 rate.

The income of nonfarm proprietors, which has been virtually stable since the beginning of 1951, advanced \$½ billion, at an annual rate, in the first quarter. The improvement was in large measure traceable to the first-quarter pickup in

retail trade, which is a dominating influence in this area.

Most of this increase is offset in the personal income total by the deduction—starting in January 1952—of contributions of self-employed persons brought into the Old-Age and Survivors Insurance system under the 1950 amendments to the Social Security Act. These contributions, equalling 2½ percent of the first \$3,600 of income, are estimated at \$400 millions, at annual rates.

Year-end extras affect dividends

Aside from farm income, the only other major component of personal income to drop in the first quarter was dividends. Although the decline amounted to about 7 percent of the fourth-quarter figure, the first-quarter level at an annual rate of \$9 billion was somewhat higher than that of the corresponding period last year. The decline is in part attributed to the large volume of extra and special disbursements at the 1951 year-end, and in part to reductions in regular disbursements.

Labor Income in the Postwar Period

(Continued from p. 15)

than one-fifth in agriculture, forestry, and fisheries. The largest growth in supplementary benefits since 1946 has occurred in the mining industries, where supplementary benefits have risen from 4.4 to 8.6 percent of payrolls, primarily because of the establishment of the health and welfare funds in coal mining.

In most industries, a floor for supplementary benefits is established by compulsory contributions under the old age and survivors insurance and unemployment insurance programs. Except for the areas where coverage is small, such as agriculture and services, the costs of these benefits (as a percent of payroll) do not vary greatly among the industrial divisions. Such variation as does exist centers in contributions for unemployment insurance, where rates may differ because of unemployment experience in the industry. Thus, the relative cost of unemployment insurance contributions is largest in the highly seasonal construction industry (about 2 percent of payroll in 1951) and smallest in the stable finance and utilities areas (about 1 percent of payroll in 1951).

Table 6.—Supplements to Wages and Salaries as a Percent of Private Industry Payrolls, by Industry Divisions, 1946-51

	1946	1947	1948	1949	1950	1951
All private industries, total.....	4.26	4.43	4.22	4.44	5.66	5.26
Agriculture, forestry, and fisheries.....	.40	.45	.42	.50	.45	1.02
Mining.....	4.35	5.17	5.05	4.55	8.55	8.55
Contract construction.....	4.70	4.70	4.47	4.53	5.00	2.13
Manufacturing.....	4.71	4.87	4.70	4.07	4.57	5.66
Wholesale and retail trade.....	3.57	3.39	3.02	3.20	3.40	3.51
Finance, insurance, and real estate.....	1.35	1.17	1.00	0.43	0.55	0.96
Transportation.....	4.04	7.00	5.75	5.95	5.00	6.20
Communication and public utilities.....	3.08	3.49	3.27	3.67	3.57	3.53
Services.....	2.21	2.11	2.06	2.18	2.44	2.49

Source: U. S. Department of Commerce, Office of Business Economics.

Another factor contributing to industrial differentials in supplementary wage benefits is the prevalence of work hazards, as reflected in compensation for injury payments. Such payments represent a significant proportion of payrolls in contract construction, transportation, and mining, but are relatively small in the other major industries.

The largest industrial differentials in supplementary wage benefits, however, are found in employer contributions to private pension and welfare plans. Such contributions presently range from almost 7 percent of payroll in communications and public utilities, where pension and other employee benefit plans are of long standing, to minor amounts in agriculture and contract construction.

Government supplements decline

Government supplements to wages and salaries declined from \$2.0 billion in 1946 to \$1.4 billion in 1951 as a result of reduced Federal contributions to the Government life insurance funds. These contributions amounted to \$1.4 billion in 1946, but only one-tenth of that amount in 1951. They represent largely reimbursements to the National Service Life Insurance Fund for death claims it had paid which were adjudged due to the extra hazards of military service.

In contrast, contributions by both the Federal Government and State and local governments to civilian employees' retirement systems, and the pay of military reservists have increased in the postwar period. The pay of military reservists, which is included in "other government supplements" in table 5, is largely responsible for the sharp rise this category of supplementary wage benefits has shown over 1946.